

R

NonExempt

## COFRS ACCOUNTING MODEL

### Acquisition and Capitalization of Non-Constructed Assets

Used throughout the year to record the acquisition and capitalization of assets other than those acquired by construction. Refer to Accounting Model O for capitalization of constructed assets. This presentation must be achieved at fiscal year-end.

Authoritative Source(s): The Higher Education Financial Advisory Committee (FAC)  
GASB Statements No. 34 and 35  
AICPA College Audit Guide  
NACUBO Farm Manual

#### Examples of Acquisitions

Straight purchase - no trade in							
New Asset							
Purchase Price	\$	150,000					
Description	Fund/Agency	APPR	Program	AcctType	BSA/RSC/OBJ	Debit	Credit
Asset Purchases	3xx/Gxx	NAP or LBA	1100-1900	22	6xxx/23xx	\$150,000	
Cash	3xx/Gxx			01	1100		\$150,000
To record an asset acquisition with no exchange of assets (no trade in) in the operating fund.							
New Asset Purchase	371/Gxx			01	18xx	\$150,000	
HE Capitalization Clearing	371/Gxx	NAP	3200	22	6610		\$150,000
To capitalize asset purchase in plant fund.							
HE Capitalization Clearing	399/Gxx	NAP	3200	22	6610	\$150,000	
New Asset Purchase	399/Gxx	NAP	1100-1900	22	6xxx/23xx		\$150,000
To eliminate asset purchase in operating fund and HE capitalization clearing expense code.							

Similar Asset Exchange Purchase - gain situation			
<u>Old (trade in) asset</u>		<u>New asset</u>	
Original Cost	\$100,000	Fair Market Value (purchase price)	\$150,000
Accumulated Depreciation	\$70,000	Acquisition (book) cost*	\$145,000
Book Value	\$30,000	Cash needed for purchase	\$115,000
Trade in amount	\$35,000		
Deferred gain*	\$5,000		
* When similar assets are exchanged and a gain results, the acquisition cost of the new asset is adjusted for the gain. The gain is deferred because "the earning process has not been completed". The institution remains in the same economic position.			

Description	Fund/Agency	APPR	Program	AcctType	BSA/RSC/OBJ	Debit	Credit
New Asset Purchase	3xx/Gxx	NAP or LBA	1100-1900	22	6xxx/23xx	\$115,000	
Cash	3xx/Gxx			01	1100		\$115,000
To record an asset acquisition to operating fund for amount equal to cash paid.							
New Asset Purchase	371/Gxx			01	18xx	\$30,000	
Accumulated Depreciation	371/Gxx			01	18xx	\$70,000	
Old Asset (asset traded in)	371/Gxx			01	18xx		\$100,000
To record an asset acquisition to plant fund when a gain results on the trade in, and to remove old (traded in) asset.							
New Asset Purchase	371/Gxx			01	18xx	\$115,000	
HE Capitalization Clearing	371/Gxx	NAP	3200	22	6610		\$115,000
To capitalize asset purchase in plant fund.							
HE Capitalization Clearing	399/Gxx	NAP	3200	22	6610	\$115,000	
New Asset Purchase	399/Gxx	NAP	1100-1900	22	6xxx/23xx		\$115,000
To eliminate asset purchase in operating fund and HE capitalization clearing expense code.							

**Similar Asset Exchange Purchase - loss situation**

<u>Old (trade in) asset</u>		<u>New asset</u>	
Original Cost	\$100,000	Fair Market Value (purchase price)	\$150,000
Accumulated Depreciation	\$70,000	Acquisition (book) cost**	\$150,000
Book Value	\$30,000	Cash needed for purchase	\$125,000
Trade in amount	\$25,000		
Loss on trade in**	(\$5,000)		

\*\* When similar assets are exchanged and a loss results, the loss should be recognized immediately.

Description	Fund/Agency	APPR	Program	AcctType	BSA/RSC/OBJ	Debit	Credit
New Asset Purchase	3xx/Gxx	NAP or LBA	1100-1900	22	6xxx/23xx	\$125,000	
Cash	3xx/Gxx			01	1100		\$125,000
To record an asset acquisition to operating fund for amount equal to cash paid.							
New Asset Purchase	371/Gxx			01	18xx	\$25,000	
Gain/Loss on Disposal of Assets	371/Gxx	NAP or LBA	4900	31	6501	\$5,000	
Accumulated Depreciation	371/Gxx			01	18xx	\$70,000	
Old Asset (asset traded in)	371/Gxx			01	18xx		\$100,000
To record an asset acquisition to plant fund when a loss results on the trade in, and to remove old (traded in) asset.							
New Asset Purchase	371/Gxx			01	18xx	\$125,000	
HE Capitalization Clearing	371/Gxx	NAP	3200	22	6610		\$125,000
To capitalize asset purchase in plant fund.							
HE Capitalization Clearing	399/Gxx	NAP	3200	22	6610	\$125,000	
New Asset Purchase	399/Gxx	NAP	1100-1900	22	6xxx/23xx		\$125,000
To eliminate asset purchase in operating fund and HE capitalization clearing expense code.							

**NOTE:** When dissimilar assets are exchanged, such as equipment for land, always recognize any gain or loss at acquisition.

**NOTE:** Accumulated depreciation taken off the books upon disposal needs to include current year depreciation expense.

**NOTE:** When boot (cash) is received in an exchange transaction, the amount of gain recognized is based on a percentage calculation.

See appropriate accounting guidance on how to account for exchange transactions when boot (cash) is received.

**Account 6610 Higher Education Capitalization Clearing must balance to zero at final year-end close.**